

During the year, the Company's environmental management took on a more structured and measurable programme for environmental protection to fully support Government's transport policy of endorsing rail as the backbone of urban transport and other initiatives as outlined in RDS-2000. Through a long-term strategy of sustainable development, the Company has established itself as a leader within the community in infrastructure planning and implementation of environmental management.

The first stage of sustainable development is to increase shareholder value through more productive use of the Company's resources, recognition of the importance of waste reduction and investment in corporate resources. Over the past four years, the Company has developed standards of environmental practice compliant to the ISO 14000 policy with marked advances in the management of environmental impacts.

In 2000, the Company has met targets set previously on the management of waste water, air quality, noise and staff training. Three new waste water treatment facilities at Kowloon Bay, Chai Wan and Tsuen Wan depots were commissioned. A total of 34 pipeline diversions were completed (23 internal and 11 external) and 16 small treatment plants were installed at stations. Still to be completed in 2001 are the 15 external pipeline diversions and a further eight treatment plants. The remaining 12 diversions will require traffic diversions and active assistance from Government's Environmental Protection, Highways and Police departments. While the Company remains on programme for 100% compliance with all effluent discharge licences by 2001, the complexity of obtaining road closures may affect achievement of this target.

The continuing programme for noise reduction progressed with the successful installation of wheel dampers on all MTR urban line trains which was completed in 2000 along with the removal of 48 rail joints. By the year-end more than 5,000 staff received environmental training or participated in

environmentally related activities. The Company also embarked on a programme of regular measuring of indoor air quality throughout its railway network with the goal of establishing a maintenance programme by 2001.

During 2000 the Company focused on the establishment of a framework for consistent corporate-wide policy on sustainable development. This included the identification and promotion of the concept of "doing more with less" in all departments within the Company, the reorganisation of existing company resources and current environmental management systems, and the publication of an annual stand-alone Environmental Report that focuses on resources, waste and education. This report is available on the MTR website. It serves as a statement on the practical implementation and achievement of the first stage of sustainable development and outlines the Company's own commitment and actions for environmental protection.

Over the next two years, the Company will implement its environmental programme through a four-stage process: more proactive use of the natural resources required for operations, enhancement of the current closed-loop utilisation of resources to further minimise waste, extending and developing the services in the Company's procurement and purchasing supply processes and re-investment in the company's resources, staff and environmental technologies. With the successful implementation and education of staff on this programme, the Company will be able to monitor, measure, report and improve on a continuous basis the best of environmental practices.

The Company believes that such environmental practices will positively influence daily business and operations decisions, help define work procedures and maintenance programmes and effectively introduce the first stage of sustainable development into the planning, building and operating of future rail and property projects, thereby improving operating performance and achieving the desired efficiencies in resource allocation.

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